

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 NEA-09 OPIC-03 SIL-01 NSCE-00 SSO-00

INRE-00 /118 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5950

INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: XCSS: DISCUSSION OF TRADE PLEDGE

REF: A. STATE 055008

B. OECD PARIS 05929

1. SUMMARY. MAJORITY OF DELS FAVORED RENEWAL OF TRADE PLEDGE AS IS, ALTHOUGH COMMISSION (REFLECTING UK CONCERNS) AND NEW ZEALAND RESERVED POSITION. NUMBER OF SMALLER COUNTRIES EMPHASIZED NEED TO INCLUDE GREATER EMPHASIS ON MORE EQUITABLE SHARING OF OECD DEFICIT IN CONTEXT OF PLEDGE RENEWAL. US EXPRESSED CONCERN ABOUT RECENT AUSTRALIAN ACTIONS AND PRESSED FOR MORE ACTIVE USE OF OECD CONSULTATION PROCEDURES. COMMITTEE AGREED TO CHARGE SECGEN, IN CONSULTATION WITH DELS, WITH DRAFTING TEXT OF POSSIBLE COMMENTS TO ACCOMPANY PLEDGE RENEWAL AT MINISTERIAL WHICH WILL BE CONSIDERED AT NEXT XCSS MEETING SCHEDULED FOR MAY 6-7. END SUMMARY.

2. US DEL (ROBINSON) OPENED DISCUSSION WITH STATEMENT OF STRONG SUPPORT FOR RENEWING PLEDGE AS IS. HE NOTED THAT CRITICAL NATURE OF PRESENT ECONOMIC SITUATION MADE PLEDGE EVEN MORE IMPORTANT THAN LAST YEAR AS A GUIDE TO COUNTRIES FOR ACCEPTABLE POLICIES TO DEAL WITH UNEMPLOYMENT. HE ALSO STRESSED NEED TO IMPROVE USE OF OECD CONSULTATION MECHANISMS IN TRADE COMMITTEE TO DISCUSS POTENTIAL TRADE PROBLEMS AS WELL AS TO DEAL WITH RESTRICTIVE TRADE ACTIONS AND SUGGESTED COOPERATION COULD BE IMPROVED IN OTHER OECD FORA DEALING WITH MACRO-ECONOMIC AND BALANCE OF PAYMENTS POLICY IF MEMBERS FELT PROGRESS IN THESE AREAS NOT KEEPING PACE WITH THAT IN TRADE AND FINANCIAL POLICIES. UNDER SECRETARY SUGGESTED MINISTERIAL COMMUNIQUE SHOULD BE VEHICLE FOR REFERRING TO CHANGES IN ECONOMIC SITUATION SINCE LAST MAY.

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3. EC COMMISSION DEL (HIJZEN) REPEATED STATEMENT GIVEN PREVIOUS WEEK TO TRADE COMMITTEE SAYING EC DID NOT YET HAVE FINAL POSITION. ALTHOUGH HE SAW STRONG ARGUMENTS IN FAVOR OF RENEWAL OF PLEDGE WITH EXISTING TEXT, EC FELT SUBSTANCE OF OECD DECISION MORE IMPORTANT THAN FORM. IN THIS RESPECT, HE HOPED OECD COULD GO BEYOND EXPRESSION OF POLITICAL WILL NOT TO TAKE RESTRICTIVE ACTIONS TO-

WARD EXPRESSION OF WILL TO TAKE POSITIVE STEPS TO AVOID FURTHER DECLINE IN THE LEVEL OF WORLD DEMAND. (HIJZEN TOLD US DEL PRIVATELY THAT UK WAS HOLDING OUT FOR POSSIBLE CHANGE IN PLEDGE TEXT FOR POLITICAL REASONS CONNECTED WITH REFERENDUM AND GROUP IN LABOR PARTY PUSHING FOR IMPORT CONTROLS. HE EXPECTED UK VIEW COULD EVENTUALLY BE ACCOMMODATED IN COMMUNIQUE ACCOMPANYING PLEDGE RENEWAL BY REFERRING TO OBLIGATION OF SURPLUS COUNTRIES TO ASSIST DEFICIT COUNTRIES IN CORRECTING PAYMENTS IMBALANCES IN PROPORTION TO THEIR CAPACITY TO DO SO. HE SAID THIS IS ESSENTIALLY A UK-FRG PROBLEM THAT WILL HAVE TO BE WORKED OUT IN EC CONTEXT.

4. VIRTUALLY ALL OTHER DELS EXPRESSED VIEW THAT TEXT SHOULD NOT BE CHANGED. HOWEVER, SWISS AND NEW ZEALANDERS, SUPPORTED BY OTHER SMALL COUNTRIES, MADE STRONG STATEMENTS ABOUT DISPROPORTIONATE SHARE OF TOTAL OECD TRADE DEFICIT BEING BORNE BY SMALLER COUNTRIES AND STATED TRADE PLEDGE NEEDED TO BE SUPPORTED BY MORE EXPANSIONARY ECONOMIC POLICIES BY MAJOR POWERS. SWISS ALSO EMPHASIZED PROBLEMS CAUSED FOR THEM BY DECLINE OF DOLLAR, WHILE NEW ZEALAND COMPLAINED ABOUT RESTRICTIONS ON AGRICULTURAL PRODUCTS AND INDICATED IT COULD NOT COMMIT ITSELF TO RENEWAL OF PLEDGE AT PRESENT TIME.

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INFO AMEMBASSY ANKARA
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5. THROUGHOUT DISCUSSION CHAIRMAN CALLED ATTENTION TO FAILURE OF OECD MEMBERS TO LIVE UP TO ADMONITION IN TRADE PLEDGE TO TAKE IMMEDIATE ACTION IN FIELD OF EXPORT CREDITS, AND NUMBER OF DELS SUPPORTED. COMMITTEE AGREED SECGEN SHOULD REPORT ON PROGRESS BEING MADE IN THIS FIELD TO NEXT MEETING OF XCSS. (MISSION COMMENT: WE UNDERSTAND CHAIRMAN'S HARPING ON THIS POINT REFLECTS SWISS CONCERN THAT THEY WILL BE PRESSURED INTO TAKING ACTION TO COMPENSATE FOR EXCHANGE RATE CHANGES UNLESS PROGRESS CAN BE SHOWN IN EXPORT INCENTIVE AREA.)

6. AUSTRALIAN ACTIONS: IN RESPONSE TO REF A US DEL

RAISED RECENT AUSTRALIAN ACTIONS IN CONTEXT US DESIRE TO IMPROVE CONSULTATION MECHANISMS. HE SAID OUR CONCERNS ABOUT URGENCY OF RENEWING PLEDGE WERE REINFORCED BY FACT THAT MEMBER COUNTRY FOUND IT NECESSARY TO IMPOSE TEMPORARY RESTRICTIONS ON STEEL PRODUCTS AND WHITE GOODS DURING LAST WEEK AND THAT, ALTHOUGH WE WOULD NOT TAKE POSITION AT THIS POINT ON CONSISTENCY OF AUSTRALIAN ACTIONS WITH TRADE PLEDGE, IT SHOULD BE CLEAR THAT US REGARDED RECENT SERIES OF AUSTRALIAN MEASURES TAKEN AS A WHOLE AS VERY SERIOUS DEVELOPMENT. US DEL EXPRESSED CONCERN THAT THESE ACTIONS MIGHT REPRESENT BASIC SHIFT IN AUSTRALIAN POLICY, SETTING UNDESIRABLE PRECEDENTS FOR WORLD ECONOMIC BEHAVIOR, AND URGED AUSTRALIANS TO REMOVE RESTRICTIONS AS SOON AS POSSIBLE AND NOT TO UNDERTAKE ANY NEW ACTIONS OF THIS SORT. HE NOTED AUSTRALIA HAD AGREED TO CONSULT IN THE TRADE COMMITTEE WORKING PARTY ON THESE ACTIONS AND URGED THAT CONSULTATIONS BE HELD PROMPTLY. HE SAID US CONCERN LED HIM TO SUGGEST THAT IMPORTANCE OF CONSULTATIONS ON TRADE POLICIES AND PRACTICES BE MENTIONED IN MINISTERIAL COMMITTEE LIMITED OFFICIAL USE

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MUNIQUE, IF THERE ARE TO BE COMMENTS ON PLEDGE TO ACCOMPANY RENEWAL. (MISSION COMMENT: SECRETARIAT HAS AGREED TO MOVE CONSULTATIONS UP TO LAST WEEK IN MARCH; AUSTRALIAN DELEGATION IS CONFERRING WITH CANBERRA ON WHETHER ADEQUATE INFORMATION COULD BE FORWARDED TO PARIS BY THAT TIME TO MAKE FULL RESPONSIVENESS POSSIBLE. BECAUSE OF EASTER BREAK AND OTHER CONFLICTS, NO DATE BETWEEN MARCH 27 AND APRIL 14 WOULD BE FEASIBLE. AS NOTED REF B, TCWP WILL DECIDE ON SCHEDULE MARCH 14.)

7. AT END OF DISCUSSION COMMITTEE AGREED THAT SEC GEN SHOULD PREPARE DRAFT TEXT OF COMMENTS TO ACCOMPANY RENEWAL OF PLEDGE FOR REVIEW AT NEXT MEETING. SEC GEN WILL CONSULT EC COMMISSION ON RESOLUTION OF UK-FRG SPLIT ON ADJUSTMENT BY SURPLUS COUNTRIES. COMMENTS WILL INCLUDE REFERENCES TO ADJUSTMENT OBLIGATIONS, CURRENT ECONOMIC ENVIRONMENT AND UNEMPLOYMENT, SWISS POINT ON ORDERLY EXCHANGE MARKETS, AND US PROPOSAL FOR STRENGTHENING OF CONSULTATIVE MECHANISM. AUSTRIAN PROPOSAL THAT PLEDGE BE RENEWED FOR TWO YEARS INSTEAD OF ONE WAS REJECTED BECAUSE NUMBER OF DELS, INCLUDING US, FELT ANNUAL REVIEW AND APPRAISAL EXTREMELY VALUABLE. IN ONLY INTERVENTION /UK NOTED ITS UNDERSTANDING THAT COMMENTS TO BE PREPARED BY SEC GEN WOULD BE WITHOUT PREJUDICE AS TO WHERE THEY WOULD EVENTUALLY APPEAR, I.E. IN TEXT OR IN COMMUNIQUE. TURNER

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